

CHAPTER-II

APPROPRIATION AND CONTROL OVER EXPENDITURE

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of budget.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants was within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure so incurred was in conformity with the laws, relevant rules, regulations and instructions.

2.2 Summary of appropriation accounts

The summarised position of actual expenditure during 2007-08 against the total of 30 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/appropriations	Supplementary grant/appropriation	Total	Actual expenditure	(-)Saving (+) Excess
Voted	I. Revenue	20198.60	1192.23	21390.83	18972.65	-2418.18
	II. Capital	4174.10	69.18	4243.28	2297.66	-1945.62
	III. Loans & Advances	18.20	9.52	27.72	24.63	-3.09
Total Voted		24390.90	1270.93	25661.83	21294.94	-4366.89
Charged	V. Revenue	4398.30	3.57	4401.87	4570.08	+168.21
	VI. Capital	0	0	0	0.02	+0.02
	VII. Public Debt	1679.53	0	1679.53	2107.65	+428.12
Total Charged		6077.83	3.57	6081.40	6677.75	+596.35
Grand Total		30468.73	1274.50	31743.23	27972.69	-3770.54

Note: - The expenditure includes the recoveries adjusted as reduction of expenditure under revenue expenditure Rs 481.87 crore and capital expenditure Rs 95.87 crore.

The overall savings of Rs 3,770.54 crore as mentioned above were the net result of savings of Rs 4,665.88 crore in 65 cases and appropriations offset by excess of Rs 895.34 crore in seven cases of grants and appropriations. The savings/excesses (Detailed Appropriation Accounts) were sent to the Controlling Officers requiring them to explain the significant variations; these had not been received (August 2008).

2.3 Savings and excesses

2.3.1 Appropriation by allocative priorities

Out of the savings of Rs 4,665.88 crore, as much as 91.72 per cent (Rs 4,279.75 crore) occurred in 15 grants as mentioned below: (*Rupees in crore*)

Grant No.	Original	Supplementary	Total Grant	Actual Expenditure	Saving
01-Agriculture and Forests-Revenue (Voted)	526.12	2.06	528.18	413.22	114.96
02-Animal Husbandry and Fisheries-Revenue (Voted)	250.14	26.95	277.09	196.57	80.52
02-Animal Husbandry and Fisheries-Capital (Voted)	9.70	13.80	23.50	0.19	23.31
03-Co-Operation-Revenue (Voted)	103.10	2.69	105.79	57.01	48.78
05-Education-Revenue (Voted)	2888.57	8.26	2896.83	2647.09	249.74
05-Education-Capital (Voted)	197.72	10.00	207.72	9.88	197.84
08-Finance-Revenue (Voted)	6679.79	0	6679.79	5971.97	707.82
09-Food and Supplies-Revenue (Voted)	311.49	0	311.49	87.85	223.64
11-Health and Family Welfare-Revenue (Voted)	868.46	0	868.46	782.12	86.34
12-Home Affairs and Justice-Capital (Voted)	111.12	30.04	141.16	73.48	67.68
15-Irrigation and Power-Revenue (Voted)	2666.20	844.52	3510.72	3502.61	8.11
15-Irrigation and Power-Capital (Voted)	851.53	6.00	857.53	509.46	348.07
17-Local Government, Housing and Urban Development-Revenue (Voted)	144.93	81.96	226.89	114.56	112.33
17-Local Government, Housing and Urban Development-Capital (Voted)	444.64	0	444.64	272.70	171.94
19-Planning-Capital (Voted)	185.71	0	185.71	101.86	83.85
21-Public Works-Capital (Voted)	1840.10	0	1840.10	1172.01	668.09
22-Revenue and Rehabilitation-Revenue (Voted)	725.97	0	725.97	530.46	195.51
23-Rural Development and Panchayats-Revenue (Voted)	841.93	65.06	906.99	331.60	575.39
23-Rural Development and Panchayats-Capital (Voted)	317.05	0	317.05	102.00	215.05
25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes-Revenue (Voted)	253.21	0	253.21	152.43	100.78
Total	20217.48	1091.34	21308.82	17029.07	4279.75

Departments did not intimate reasons for savings. Areas in which major savings occurred in these 15 grants are given in **Appendix-2.1**.

2.3.2 Persistent savings

In nine cases, involving five grants/appropriations, there were persistent savings of more than Rupees five crore in each case and 20 *per cent* or more of provision. Details are given in **Appendix-2.2**. Under three¹ centrally sponsored schemes, there were savings of 100 *per cent* during the last three years.

2.3.3 Original budget and supplementary provisions

Supplementary provisions of Rs 1,274.50 crore were made during this year. It included supplementary provisions of Rs 1,192.23 crore under Revenue (Voted) which constituted 93.54 *per cent* of the total supplementary provisions.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 266.40 crore made in 20 cases during the year proved unnecessary in view of aggregate saving of Rs 1,876.52 crore. Details are given in **Appendix-2.3**.

In three cases, against additional requirement of only Rs 12.37 crore, supplementary grants of Rs 34.32 crore were obtained, resulting in savings in each case exceeding Rs 2.50 crore, aggregating Rs 21.95 crore. Details are given in **Appendix-2.4**.

As mentioned below, supplementary provision of Rs 3.05 crore proved insufficient leaving an uncovered excess expenditure of Rs 2.84 crore.

(Rupees in crore)

Sr No.	No. and name of Grant/ Appropriation	Original Grant	Supplementary grant	Total	Expenditure	Excess
Revenue (Charged)						
1.	12-Home Affairs and Justice	15.59	3.05	18.64	21.48	+2.84
	TOTAL	15.59	3.05	18.64	21.48	+2.84

2.3.5 Anticipated savings not surrendered

As per Rule 17.20 of Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. However, at the close of the year 2007-08, there were 25 cases in which savings ranging between Rs 1.60 crore and Rs 668.09 crore amounting to Rs 1,971.92 crore had not been surrendered. In 19 cases, even after partial surrender, savings ranging between Rupees one crore and Rs 221.23 crore aggregating to

¹ (i) 4217-Capital Outlay on Urban Development–Prevention of Pollution of River Sutlej–Cost of land (CSS), (ii) 4515-Capital Outlay on Other Rural Development Programmes–Sampuran Gramin Rozgar Yojana (CSS) and (iii) 4515-Capital Outlay on Other Rural Development Programmes–Indira Awas Yojana (CSS).

Rs 1,299.88 crore (80.16 per cent of total savings in these grants) were not surrendered. Details are given in *Appendix-2.5 and 2.6* respectively.

2.3.6 Excess expenditure over provision of previous years, requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 4,214.60 crore for the years 2004-07 had not been got regularised so far (August 2008). The excess expenditure of Rs 3,753.43 crore during the year 2006-07 is 89.06 per cent of total excesses during previous years which is still awaiting regularisation. The Department had stated that excess expenditure for the years 2004-05 to 2006-07 will be got regularised by the State Legislative Assembly most likely up to the Budget Session 2009. This was a breach of Legislative control over appropriations.

(Rupees in crore)

Year	No. of grants/ appropriation	Grants/Appropriati on No(s)	Amount of excess	Reasons for excess
2004-2005	4	8, 12, 21, 26	395.52	Not received
2005-2006	2	17, 19	65.65	Not received
2006-2007	5	5, 8, 21, 27, 30	3753.43	Not received
Total			4214.60	

2.3.7 Excess expenditure over provisions of 2007-08 requiring regularisation

The excess of Rs 895.34 crore involving six grants and appropriations during the current year requires regularisation under Article 205 of the Constitution. Details are given as follows:

(Rupees in crore)

Sr.No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
Revenue (Voted)				
1.	19-Planning	732.87	733.48	0.61
2.	21-Public Works	725.72	1018.68	292.96
Revenue (Charged)				
3.	08-Finance	4356.52	4526.92	170.40
4.	12-Home Affairs and Justice	18.64	21.48	2.84
Capital (Voted)				
5.	09-Food and Supplies	0.02	0.41	0.39
Capital (Charged)				
6.	08-Finance	1679.53	2107.65	428.12
7.	15-Irrigation and Power	0	0.02	0.02
	TOTAL	7513.30	8408.64	895.34

Reasons for the excesses had not been furnished by the Government as of August 2008.

2.3.8 Persistent excesses

Significant excesses between Rs one crore to Rs 214.21 crore were persistent in eight cases involving two grants during the last three years as detailed in *Appendix-2.7*. Persistent excesses require investigation.

2.3.9 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. In six cases where the re-appropriation of funds proved injudicious in view of final excess of Rs 710.36 crore (between Rs 12.93 crore to Rs 378.43 crore in each case) in two grants. Similarly in 30 cases savings of Rs 637.60 crore (between Rs one crore and Rs 218.20 crore) in 11 grants as detailed in *Appendix- 2.8 and 2.9* respectively were noticed.

2.4 Defective re-appropriation

During 2007-08, 35 re-appropriation orders of Rs 3,010.69 crore were issued. Of these, 33 orders aggregating Rs 2,679.50 crore were issued on 31st March 2008, the last day of the financial year. Six re-appropriation orders of the value of Rs 331.19 crore (11 *per cent*) were not accepted in audit as per details given in *Appendix- 2.10*.

2.5 Rush of expenditure

As per para 18.15 of Manual of Instructions of Finance Department, Government funds should be evenly spent throughout the year. The rush of expenditure, towards the end of the financial year, is regarded as a breach of financial rules. Scrutiny revealed that Rs 3,997.12 crore i.e. 15.83 *per cent* of the total expenditure of Rs 25,252.47 crore (Rs 25,252.47 crore excludes recoveries Rs 577.74 crore, public debt Rs 2,107.65 crore and loans and advances Rs 34.85 crore) was incurred in March 2008. Expenditure on the last day of the year was Rs 922.00 crore. It was also noticed that in 14 cases, expenditure incurred during the 4th quarter of the year ranged between 50 and 100 *per cent* of total expenditure under those head of accounts. Expenditure incurred during March 2008 was 36.46 *per cent* of the total expenditure in these cases. Details are given in *Appendix-2.11*.

2.6 Personal deposit account balances

Government decided (September 2004) that all the existing Personal Ledger Accounts (PLA) stand closed effective on 31 July by debit to concerned PLA and contra-credit to the receipt head of the department concerned, by which the amount was drawn from its expenditure head originally. Contrary to the instructions of September 2004, the following amounts were lying in PLA account, Year-wise detail is as under:

(Rupees in crore)

Year	Opening Balance	Receipts	Payment	Closing Balance
2004-05	41.24	34.82	44.88	31.18
2005-06	31.18	595.46	587.65	38.99
2006-07	38.99	545.30	548.98	35.31
2007-08	35.31	589.09	587.54	36.86

Retention of money in PLA contrary to Punjab Government instructions referred to above was irregular.

2.7 Budgetary control

A review of budgetary procedure and control over expenditure in case of five grants (01-Agriculture & Forests, 03-Co-Operation, 05-Education, 15-Irrigation & Power and 17-Local Government, Housing & Urban Development) covering 21 Offices and 29 Departments revealed that:

2.7.1 Nineteen departments sent budget estimates for the year 2007-08, due as on 1 November 2006 to the Finance Department with a delay between eight and 124 days.

2.7.2 In 53 cases (Agriculture & Forests (16), Co-Operation (4), Education (19), Irrigation & Power (9) and Local Government, Housing & Urban Development (5)), there were persistent savings exceeding Rs 20.00 lakh or 20 per cent or more of the provision during the last three years as per detail given in **Appendix 2.12**. In 17 of the above cases, entire provision aggregating Rs 295.67 crore in last three years remained unutilised (**Appendix-2.13**).

2.7.3 A detailed scrutiny of two departments i.e. Irrigation & Power (Grant No.-15) and Local Government, Housing and Urban Development (Grant No.17) revealed that: -

- In 22 cases, there were saving of Rs 218.06 crore due to non release of funds by the Finance Department/Sanction not issued by the Government/vacant post etc. as per detail given in **Appendix 2.14**.
- In three cases, there were savings of Rs 17.66 crore due to bills not passed by the Treasury Office as per detail given in **Appendix 2.15**.
- In two cases, an expenditure of Rs 47.14 crore was incurred without any provision in the original/supplementary estimates as per detail given in **Appendix 2.16**.
- In two cases, there was substantial excess expenditure over grant amounting to Rs 7.40 crore due to non-release of funds (Rs 0.9 crore) by Finance Department against revised budget estimate and inclusion of other categories of people for grant of subsidy to Punjab State Electricity Board (Rs 7.31 crore) as per detail given in **Appendix 2.17**.

2.7.4 As per para 12.11 of Punjab Budget Manual, the departments were to maintain liability register to keep watch over the un-discharged liabilities. It was noticed that no such register was maintained by the Drawing and Disbursing Officers operating these grants. As a result, the budget estimates were prepared by the Controlling Officers without considering the liabilities of the department.